

City of Romulus, Michigan

Federal Awards Supplemental Information June 30, 2004

City of Romulus, Michigan

Contents

Independent Auditor's Report	I
Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements	2-3
Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards	4-5
Schedule of Expenditures of Federal Awards	6
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	7
Note to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-10



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Romulus, Michigan

We have audited the basic financial statements of the City of Romulus, Michigan for the year ended June 30, 2004 and have issued our report thereon dated October 29, 2004. Those basic financial statements are the responsibility of the management of the City of Romulus, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Romulus, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 29, 2004

A member of



A worldwide association of independent accounting firms

Report Letter on Compliance with Laws and Regulations and
Internal Control - Basic Financial Statements

To the Honorable Mayor
and Members of the City Council
City of Romulus, Michigan

We have audited the financial statements of the City of Romulus, Michigan as of and for the year ended June 30, 2004 and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Romulus, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Romulus, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor
and Members of the City Council
City of Romulus, Michigan

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Romulus, Michigan in a separate letter dated October 29, 2004.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 29, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Honorable Mayor
and Members of the City Council
City of Romulus, Michigan

Compliance

We have audited the compliance of the City of Romulus, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The major federal programs of the City of Romulus, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Romulus, Michigan's management. Our responsibility is to express an opinion on the City of Romulus, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Romulus, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Romulus, Michigan's compliance with those requirements.

In our opinion, the City of Romulus, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2004-I.

To the Honorable Mayor
and Members of the City Council
City of Romulus, Michigan

Internal Control Over Compliance

The management of the City of Romulus, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Romulus, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 29, 2004

City of Romulus, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through Urban Community Development Block Grant - Wayne County, Michigan:				
2004 program year	14.218		\$ 188,000	\$ 275,550
2003 program year	14.218		207,000	76,324
2002 program year	14.218		237,000	<u>27,396</u>
Total U.S. Department of Housing and Urban Development				379,270
U.S. Department of Forestry - Passed through the State of Michigan - Emerald Ash Borer Tree Planting Grant	10.664	EAB 04-36	20,000	-
Federal Emergency Management Agency - Passed through the State of Michigan:				
State and local assistance	83.552		23,841	23,841
Hazardous materials emergency preparedness	20.703	2002-2003	2,115	2,115
Pre-disaster Mitigation Grant	83.557		25,000	8,482
Supplemental Planning Grant	97.051		16,027	9,671
State Homeland Assessment Grant	97.004		2,199	2,199
Public Assistance Grant	97.036		12,617	<u>12,617</u>
Total Federal Emergency Management Agency				58,925
U.S. Department of Justice - Community Oriented Policing Services Grant - Passed through the Downriver Community Conference:				
COPS	16.710		49,400	48,863
Asset forfeiture and money laundering section	16.unknown		N/A	45,901
Bullet-proof Vest Program	16.607	2004	7,030	7,030
2002 Local Law Enforcement Block Grant	16.592	2002-LB-BX-2293	28,857	23,336
2003 Local Law Enforcement Block Grant	16.592	2003-LB-BX-0806	22,573	<u>-</u>
Total U.S. Department of Justice				125,130
U.S. Department of Transportation - Federal Highway Administration - Passed through the State of Michigan	20.205	STP0382 (379)	657,300	378,691
	20.205	STP1993-001	58,055	<u>58,055</u>
Total U.S. Department of Transportation				436,746
Total federal awards				<u><u>\$ 1,000,071</u></u>

City of Romulus, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Revenue from federal sources - As reported on financial statements within the governmental funds	\$ 552,588
Federal revenue not reported in the financial statements:	
MDOT activity	436,746
COPS monies passed through the Downriver Community Conference	48,863
Federal expenditures of prior years federal revenue - Asset forfeiture and money laundering section	12,890
Federal revenue reported in the financial statements, not expended in the current period - Community Development Block Grant	<u>(51,016)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,000,071</u></u>

City of Romulus, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Romulus, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Romulus, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.205	Michigan Department of Transportation

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Romulus, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2004-I	<p>Program Name - Community Development Block Grant</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, contracts entered into by a municipality in excess of \$25,000 must follow proper procurement procedures.</p> <p>Condition - The City of Romulus, Michigan did not follow proper procurement procedures when entering into an engineering services contract in excess of \$25,000 related to the construction of the senior center. The contract was awarded without bids being solicited from other contractors.</p> <p>Recommendation - We recommend the City of Romulus, Michigan review its procurement policies and procedures related to projects funded through granting agencies to ensure they are designed to comply with all requirements.</p> <p>Grantee Response - This was the first time CDBG funds were used for engineering services in excess of \$25,000 related to a construction contract and the City of Romulus, Michigan was unaware that these professional service contracts were required to follow the procurement procedures. The City of Romulus, Michigan sought technical advice from the pass-through agency related to necessary procedures and was not informed of the procurement requirements. The City of Romulus, Michigan will ensure that proper procurement procedures are followed in the future.</p>